

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12 EB-11

AID-20 COME-00 TRSE-00 OMB-01 INT-08 SCEM-02 AF-10

RSR-01 /143 W

----- 130986

R 221220 Z MAY 73

FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 4347

INFO AMEMBASSY ROME

AMEMBASSY LONDON

C O N F I D E N T I A L VALLETTA 1021

E. O. 11652: GDS

TAGS: ENRG, MT

SUBJECT: FUTURE OF ESSO OPERATIONS ON MALTA

REF: VALLETTA 887

1. LOCAL ESSO MANAGER HUGH NAUDI INFORMED US TODAY THAT HE HAS BEEN SUMMONED TO LONDON BY HIS PRINCIPALS AND LEAVES MAY 23. HE BELIEVES THAT ESSO MAY BE CONSIDERING TERMINATING THEIR OPERATIONS IN MALTA.

2. SINCE BP CLOSED OPERATIONS BEGINNING 1973, ESSO AND SHELL HAVE BEEN ONLY SUPPLIERS OF POL EXCEPT FOR VERY SMALL SPECIALIZED AGIP OPERATION IN OILS AND LUBRICANTS. GASOLINE PRICES HAVE BEEN FROZEN SINCE NOVEMBER, 1967 AND ESSO HAS BEEN TRYING TO GET ITS RETAIL PRICES RAISED TO SAME LEVEL AS SHELL. AT PRESENT ESSO PRICES ARE PEGGED AT 4 MILS BELOW SHELL FOR PREMIUM GASOLINE AND 2 MILS FOR LOWER GRADE PRODUCTS. THIS RESULTED FROM ESSO BEING CAUGHT WITH LOWER PRICES AS COMMERCIAL PROMOTION SCHEME AT TIME PRICE CONTROLS WENT INTO EFFECT. NAUDI ADMITS THAT ESSO MADE PROFIT ON MALTA LAST YEAR. HE CLAIMS THAT THIS YEAR ONLY PROFITABLE

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LINE WILL BE AVIATION FUEL AND THIS WILL NOT BE SUFFICIENT TO CARRY REMAINDER OF OPERATION. ONLY LAST WEEK HE HAD HIS LATEST REFUSAL BY LETTER FROM MINISTER OF TRADE TO HIS REQUEST FOR PARITY WITH SHELL ON RETAIL PRICES. HOWEVER, NAUDI SAYS THAT EVEN SELLING AT SHELL' S PRICE, ESSO WOULD STILL LOSE MONEY. IN FACT, HE IS AFRAID THAT IF THEY WERE TO GET THIS SMALL RAISE, HE WOULD BE IN POOR TACTICAL POSITION TO ASK FOR MORE IMPORTANT INCREASE IN PRICES WHICH HE SAYS HE NEEDS TO SHOW ACCEPTABLE PROFIT. NAUDI GIVES IMPRESSION THAT HE IS QUITE PREAPRED PERSONALLY TO SEE OPERATION WOUND UP BUT IS CONCERNED ABOUT MANNER IN WHICH THIS WOULD BE DONE IN ORDER TO RECOVER AS MUCH AS POSSIBLE OF INVESTMENT.

3. COMMENT: RETAIL PRICES OF PREMIUM AND NORMAL GASOLINE 22 AND 20.8 MALTA CENTS PER IMPERIAL GALLON RESPECTIVELY. TAX INCLUDED IN THIS PRICE AMOUNTS TO 10.7 MALTA CENTS ON PREMIUM AND 10 MALTA CENTS ON NORMAL. (ONE MALTA CENT EQUALS APPROXIMATELY 2.75 U. S. CENTS.) CONSIDERING PRICES IN U. S. THIS WOULD ON SURFACE NOT APPEAR TOO BAD. GETZ

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NMAFVVZCZ

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*** Current Classification *** CONFIDENTIAL

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